NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
September 16, 2005

CONTACT: Mike Roth
(916) 653-5126

CALIFORNIA TREASURER PHIL ANGELIDES, JOINED BY CONSUMER AND SENIOR ADVOCATES, CALLS ON SCHWARZENEGGER ADMINISTRATION TO REJECT $315 MILLION PAYOUT TO HMO EXECUTIVES IN PACIFICARE – UNITED HEALTH MERGER

Treasurer Also Calls on CalPERS and CalSTRS to Oppose Windfall to HMO Executives at the Expense of Shareholders and California Families

SACRAMENTO, CA – California State Treasurer Phil Angelides, joined by consumer and patient advocates, today called on Governor Schwarzenegger's Department of Managed Health Care to reject the proposed merger of PacifiCare Health Systems and Point Acquisition LLC, a subsidiary of UnitedHealth Group, unless excessive payouts to HMO executives are relinquished. At a time when more than six million Californians are uninsured and millions of working Californians are struggling to meet the rising costs of health care, top PacifiCare HMO executives stand to receive up to $315 million – as a result of the merger they engineered.

"The enormous sums PacificCare executives stand to receive simply because of the proposed merger with UnitedHealth are clearly excessive, and are an example of the kind of misguided get-rich-quick mentality that pervades HMO boardrooms, while providing no benefit to shareholders and patients," Treasurer Angelides said in a letter to Governor Schwarzenegger. "The Governor's Department of Managed Health Care must fulfill its duty to California health care consumers by rejecting this merger unless these obscene payouts are relinquished."

Treasurer Angelides also today urged the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), on whose governing boards he is a member, to use their clout as PacifiCare and United Health shareholders to urge the companies to withdraw plans for excessive payouts to HMO executives before the merger is presented to shareholders prior to the end of the year. CalPERS and CalSTRS own a combined $480 million in PacifiCare and UnitedHealth stock. "I am deeply concerned that shareholders like CalPERS and CalSTRS will also pay the price for this merger, along with health plan consumers," Angelides said.

If the PacifiCare – UnitedHealth merger is completed by February 1, 2006, 39 top PacifiCare executives stand to receive payouts of $215 million in accelerated stock options, $15 million in change-of-control payments, and approximately $85 million more in cash bonuses and stock if they stay with the merged company. These executives will reap millions whether the merger benefits shareholders and health plan consumers, or whether it hurts them. By its own account, PacifiCare awarded these stock options to its executives so that the company could retain their services for the long term. Now, under the terms of their compensation plan, the executives will simultaneously receive both an immediate payout of their options, which removes the existing incentive to remain on the job, and a new round of incentive grants, cash bonuses and stock bonuses, which the companies now say are necessary to keep them on the job.

In deciding whether to approve this merger, the Department of Managed Health Care must consider under the law whether health plan members will bear excessive administrative costs – including executive compensation. In July, 2004, Governor Schwarzenegger's Department of Managed Health Care approved the merger of WellPoint Health Networks, Inc. and Anthem, Inc, a transaction that triggered bonuses and severance packages for top Wellpoint employees that could reach a half billion dollars. Treasurer Angelides strongly opposed that merger, urging the Schwarzenegger administration in testimony before the Department of Managed Health Care to reject it. Angelides also led CalPERS and CalSTRS to vote their shares of Anthem and Wellpoint stock against the merger proposal and to mount an effort to get other major institutional shareholders to join the shareholder action.

Despite legally binding assurances by Anthem and Wellpoint that none of the costs of the outrageous payouts to HMO executives would fall on California health care consumers, many Blue Cross enrollees have seen their rates go up by 30 percent or more since the merger, far faster than the general rate of health care cost increases.

"Patients need new protections to ensure that premiums reflect the cost of medical care, not the greed of health care profiteers and Wall Street financiers," said Jerry Flanagan, Health Care Policy Director for the Foundation for Taxpayer and Consumer Rights. "Health care should no longer be treated like a second class citizen in California. Voter approved Prop 103 has saved California drivers $23 billion by requiring insurers to prove that their rates are not excessive or unfair. Health insurers should be required to play by the same rules as auto and home insurers."

Treasurer Angelides is slated to testify in opposition to the merger at the Department of Managed Health Care's public hearing this morning at the Secretary of State building auditorium in Sacramento at 1500 11th Street.

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PHILIP ANGELIDES
Treasurer
State of California

September 15, 2005

The Honorable Arnold Schwarzenegger
Governor of California
State Capitol
Sacramento, CA 95814

Dear Governor Schwarzenegger:

I am writing to express my deep concern over the proposed merger of PacifiCare Health Systems, Inc. and Point Acquisition LLC, a subsidiary of UnitedHealth Group Incorporated – a transaction that I believe will hurt California families. Top PacifiCare HMO executives stand to receive excessive payouts of as much as $315 million as a result of this merger, at a time when more than six million Californians are uninsured and millions of working Californians are struggling to meet the rising costs of health care for their families.

There is simply no justification for these excessive payouts – which will go to the very same HMO executives who engineered this merger, and which will ultimately be paid either by shareholders of the merged company or by consumers in the form of higher insurance premiums. I urge your Department of Managed Health Care to reject the merger unless these excessive payouts to HMO executives are relinquished.

You may remember that last year, I strongly opposed the Department of Managed Health Care's decision to approve the merger of WellPoint Health Networks, Inc. and Anthem, Inc, a transaction that triggered bonuses and severance packages for top Wellpoint employees that could reach a half billion dollars. The proposed merger of PacifiCare and UnitedHealth comes from the same script: If this merger is completed by February 1, 2006, 39 top PacifiCare executives stand to receive exorbitant payouts of $215 million in accelerated stock options, $15 million in change-of-control payments, and approximately $85 million more in cash bonuses and stock if they stay with the merged company. They will reap millions whether the merger benefits shareholders and health plan consumers, or whether it hurts them.

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By its own account, PacifiCare awarded these stock options to its executives so that the company could retain their services for the long term. Now, under the terms of their compensation plan, the executives are simultaneously receiving both an immediate payout of their options, which removes the existing incentive to remain on the job, and a new round of incentive grants, cash bonuses, and stock bonuses, which we are now told are necessary to keep them on the job. This is the kind of self-serving manipulation that undermines the faith and confidence of ordinary working Californians in our treasured free enterprise system.

As a trustee of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), which invest a combined $480 million in these two companies, I am deeply concerned that shareholders like CalPERS and CalSTRS will also pay the price for this merger, along with health plan consumers. By all appearances, PacifiCare's executive compensation policies have, since 2001, been structured – by many of the same HMO executives who will receive exorbitant payouts – to encourage them to engineer a quick merger. CalPERS and CalSTRS voted their proxies against PacifiCare's executive compensation plans in 2001 and 2005 because of concerns, among other things, about shareholder dilution and inadequate linking of pay to performance. For example, the vesting periods for executive stock options that the company touted as incentives for the long-term creation of company value also provide incentives for executives to arrange a lucrative merger. Remember, under the merger plan, these HMO executives will benefit from accelerated stock options no matter how the merged company performs. If this plan is approved, these executives will receive a reward for results yet to be achieved, and will have less of a stake in the long-term performance of the company and the well being of its shareholders.

In deciding whether to approve this merger, the Department of Managed Health Care must consider under the law whether health plan members will bear an excessive administrative cost – including executive compensation. The enormous sums PacificCare executives stand to receive simply because of the proposed merger with UnitedHealth are clearly excessive, and are an example of the kind of misguided get-rich-quick mentality that pervades HMO boardrooms, while providing no benefit to shareholders and patients. Any merger plan approved by the Department should include no acceleration of stock options, and no new equity grants to HMO executives as a result of a corporate merger.

The Wellpoint-Anthem merger, approved by your Department of Managed Health Care last year, was an egregious example of corporate excess that enriched HMO executives at the expense of shareholders and health care consumers. Despite legally binding assurances by those companies that none of the costs of the outrageous payouts to HMO executives would fall on California health care consumers, many Blue Cross enrollees have seen their rates go up by 30 percent or more since the merger, far faster than the general rate of health care cost increases. The Department has yet to act on this matter. The mistake made with Wellpoint-Anthem, of approving a merger with plainly excessive compensation for HMO executives, should not be repeated with PacifiCare.

The only way the Department can fulfill its mission to protect California health care consumers from bearing the excessive costs of this merger is to keep them from being incurred. I urge your Department of Managed Health Care not to approve this merger unless PacifiCare executives relinquish these excessive payouts.

Sincerely,

Phil Angelides
State Treasurer

cc: Cindy Ehnes, Director, Department of Managed Health Care

PHILIP ANGELIDES
Treasurer
State of California

September 15, 2005

Mr. Mark J.P. Anson, Chief Investment Officer
California Public Employees' Retirement System
400 P Street
Sacramento, CA 95814

Dear Mr. Anson:

I am writing to express my deep concern over the proposed merger of PacifiCare Health Systems, Inc. and Point Acquisition LLC, a subsidiary of UnitedHealth Group Incorporated – a transaction that I believe will be detrimental to the interests of the California Public Employees Retirement System (CalPERS) and California taxpayers. Top PacifiCare HMO executives stand to receive excessive payouts of as much as $315 million as a result of this merger, at a time when more than six million Californians are uninsured and millions of working Californians are struggling to meet the rising costs of health care for their families.

There is simply no justification for these excessive payouts – which will go to the very same HMO executives who engineered this merger, and which will ultimately be paid either by shareholders of the merged company or by consumers in the form of higher insurance premiums. I urge CalPERS to contact the management of both firms to press for removal of this excessive compensation before the merger is submitted to shareholders for approval prior to the end of the year. Unless these excessive payouts to HMO executives are relinquished, I believe that CalPERS should vote to oppose the merger.

You may remember that last year, we joined together to strongly oppose the merger of WellPoint Health Networks, Inc. and Anthem, Inc, a transaction that triggered bonuses and severance packages for top Wellpoint employees that could reach a half billion dollars. The proposed merger of PacifiCare and UnitedHealth comes from the same script: If this merger is completed by February 1, 2006, 39 top PacifiCare executives stand to receive exorbitant payouts of $215 million in accelerated stock options, $15 million in change-of-control payments, and approximately $85 million more in cash bonuses and stock if they stay with the merged company. They will reap millions whether the merger benefits shareholders and health plan consumers, or whether it hurts them.

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By its own account, PacifiCare awarded these stock options to its executives so that the company could retain their services for the long term. Now, under the terms of their compensation plan, the executives are simultaneously receiving both an immediate payout of their options, which removes the existing incentive to remain on the job, and a new round of incentive grants, cash bonuses, and stock bonuses, which we are now told are necessary to keep them on the job. This is the kind of self-serving manipulation that undermines the faith and confidence of ordinary working Californians in our treasured free enterprise system.

I am deeply concerned that shareholders like CalPERS will pay the price for this merger, along with health plan consumers. By all appearances, PacifiCare's executive compensation policies have, since 2001, been structured – by many of the same HMO executives who will receive exorbitant payouts – to encourage them to engineer a quick merger. CalPERS voted its proxies against PacifiCare's executive compensation plans in 2001 and 2005 because of concerns, among other things, about shareholder dilution and inadequate linking of pay to performance. For example, the vesting periods for executive stock options that the company touted as incentives for the long-term creation of company value also provide incentives for executives to arrange a lucrative merger. Remember, under the merger plan, these HMO executives will benefit from accelerated stock options no matter how the merged company performs. If this plan is approved, these executives will receive a reward for results yet to be achieved, and will have less of a stake in the long-term performance of the company and the well being of its shareholders.

I request that you place this matter on the agenda for the next available meeting of CalPERS. I look forward to working with my fellow board members and you to protect CalPERS' interests in this merger.

Sincerely,

Phil Angelides
State Treasurer

cc: Honorable Board Members, California Public Employees' Retirement System,
Fred Buenrostro, Chief Executive Officer, California Public Employees' Retirement System

PHILIP ANGELIDES
Treasurer
State of California

September 15, 2005

Mr. Christopher Ailman, Chief Investment Officer
California State Teachers' Retirement System
7919 Folsom Boulevard
Sacramento, CA 95826

Dear Mr. Ailman:

I am writing to express my deep concern over the proposed merger of PacifiCare Health Systems, Inc. and Point Acquisition LLC, a subsidiary of UnitedHealth Group Incorporated – a transaction that I believe will be detrimental to the interests of the California State Teachers Retirement System (CalSTRS) and California taxpayers. Top PacifiCare HMO executives stand to receive excessive payouts of as much as $315 million as a result of this merger, at a time when more than six million Californians are uninsured and millions of working Californians are struggling to meet the rising costs of health care for their families.

There is simply no justification for these excessive payouts – which will go to the very same HMO executives who engineered this merger, and which will ultimately be paid either by shareholders of the merged company or by consumers in the form of higher insurance premiums. I urge CalSTRS to contact the management of both firms to press for removal of this excessive compensation before the merger is submitted to shareholders for approval. Unless these excessive payouts to HMO executives are relinquished, I believe that CalSTRS should vote to oppose the merger.

You may remember that last year, we joined together to strongly oppose the merger of WellPoint Health Networks, Inc. and Anthem, Inc, a transaction that triggered bonuses and severance packages for top Wellpoint employees that could reach a half billion dollars. The proposed merger of PacifiCare and UnitedHealth comes from the same script: If this merger is completed by February 1, 2006, 39 top PacifiCare executives stand to receive exorbitant payouts of $215 million in accelerated stock options, $15 million in change-of-control payments, and approximately $85 million more in cash bonuses and stock if they stay with the merged company. They will reap millions whether the merger benefits shareholders and health plan consumers, or whether it hurts them.

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I am deeply concerned that shareholders like CalSTRS will pay the price for this merger, along with health plan consumers. By all appearances, PacifiCare's executive compensation policies have, since 2001, been structured – by many of the same HMO executives who will receive exorbitant payouts – to encourage them to engineer a quick merger. CalSTRS voted its proxies against PacifiCare's executive compensation plans in 2001 and 2005 because of concerns about excessive compensation to top executives. For example, the vesting periods for executive stock options that the company touted as incentives for the long-term creation of company value also provide incentives for executives to arrange a lucrative merger. Remember, under the merger plan, these HMO executives will benefit from accelerated stock options no matter how the merged company performs. If this plan is approved, these executives will receive a reward for results yet to be achieved, and will have less of a stake in the long-term performance of the company and the well being of its shareholders.

I request that you place this matter on the agenda for the next available meeting of CalSTRS. I look forward to working with my fellow board members and you to protect CalSTRS' interests in this merger.

Sincerely,

Phil Angelides
State Treasurer

cc: Honorable Board Members, California State Teachers' Retirement System,
Jack Ehnes, Chief Executive Officer, California State Teachers' Retirement System